

Internal Revenue Service  
**memorandum**

date: **MAR 01 1991**

to: Panfilo (Ben) DiCenso, Industry Specialist  
Property/Casualty Insurance

from: *Stephen D. Hooe*  
Stephen D. Hooe, Chief, CC:FI&P:4

---

subject: Notice 88-100 Technical Assistance Request

This is in response to your request for assistance concerning the composite discount factor example of Notice 88-100, 1988-2 C.B. 439 (section V). The example was misleading because it assumed that unpaid losses for accident years AY + 10 and earlier were reported on the 1987 annual statement as an aggregate amount. Actually, losses for AY + 10 were separately stated beginning with that annual statement.

Your have correctly calculated the composite discount factor (88.6359%) to be applied in computing discounted unpaid losses, as of the end of 1987, for accident years AY + 11 and earlier. In addition, you are correct in pointing out that the composite discount factor in the example (86.3756) is used to compute discounted unpaid losses, as of the end of 1986, for accident years AY + 10 and earlier. (Unpaid losses are discounted as of the end of 1986 only for purposes of applying the fresh start rules and computing the 1987 tax year deduction for discounted unpaid losses).

Finally, those sections of Notice 88-100 (including section V) not obsoleted by regulations remain effective. Please contact us if you need further clarification of this matter.

**08004**